

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ARVON TOWNSHIP	County HOUGHTON
Fiscal Year End March 31, 2006	Opinion Date JULY 21, 2006	Date Audit Report Submitted to State AUGUST 11, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

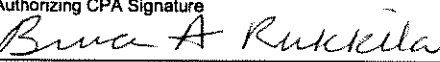
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) BRUCE A. RUKKILA, CPA, PC		Telephone Number 906-482-6601		
Street Address 310 SHELDEN AVENUE		City HOUGHTON	State MI	Zip 49931
Authorizing CPA Signature 		Printed Name BRUCE A. RUKKILA		License Number 263812

ARVON TOWNSHIP
BARAGA COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL FINANCIAL INFORMATION

March 31, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Supervisor and Board of Trustees
Arvon Township
Skanee, Michigan

We have audited the accompanying general purpose financial statements of Arvon Township, as of and for the year ended March 31, 2006. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township does not maintain adequate accounting records relative to its investment in general fixed assets. Accordingly, the general purpose financial statements referred to above do not include financial statements of the General Fixed Assets Account Group, which should be included in order to conform with generally accepted accounting principles. Also, the Township has not adopted the reporting format of Government Accounting Standards Board Statement No. 34.

In our opinion, except for the effects on the general purpose financial statements of the omission described in the preceding paragraph, the dollar amount of which we have not determined, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Arvon Township, as of March 31, 2006, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2006 on our consideration of Arvon Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented as supplemental information and are not a required part of the general purpose financial statements of Arvon Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the effects on the financial statements of the omissions described previously, the dollar amount of which we have not determined, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC.

Certified Public Accountants

July 21, 2006



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Supervisor and Board of Trustees
Arvon Township
Skanee, Michigan

We have audited the financial statements of Arvon Township as of and for the year ended March 31, 2006, and have issued our report thereon dated July 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether Arvon Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, a noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Arvon Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

July 21, 2006

ARVON TOWNSHIP
COMBINED BALANCE SHEETS
ALL FUND TYPES AND ACCOUNT GROUPS
March 31, 2006

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Agency	
ASSETS AND OTHER DEBITS:				
Cash	\$ 65,224	\$ 115,476	\$ 36,519	\$ 217,219
Taxes receivable	8,715	10,985	-	19,700
Due from other government units	-	-	142	142
TOTAL ASSETS AND OTHER DEBITS	\$ 73,939	\$ 126,461	\$ 36,661	\$ 237,061
LIABILITIES:				
Accounts payable	\$ -	\$ 5,675	\$ -	\$ 5,675
Due to other governmental units	-	-	36,661	36,661
TOTAL LIABILITIES	-	5,675	36,661	42,336
FUND EQUITY AND OTHER CREDITS:				
Fund balance:				
Unreserved	73,939	120,786	-	194,725
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 73,939	\$ 126,461	\$ 36,661	\$ 237,061

The accompanying notes to financial statements are an integral part of this statement.

ARVON TOWNSHIP
COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2006

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
REVENUES:			
Taxes	\$ 26,396	\$ 114,691	\$ 141,087
Federal	4,824	-	4,824
State	32,554	3,436	35,990
Charges for services	20,864	-	20,864
Interest	1,554	1,136	2,690
Other	2,237	25	2,262
TOTAL REVENUES	88,429	119,288	207,717
EXPENDITURES:			
Assessor	15,138	-	15,138
Supervisor	4,500	-	4,500
Clerk	5,095	-	5,094
Treasurer	8,477	-	8,477
Board of Review	1,245	-	1,245
Township Board	27,631	-	27,631
Township Property	11,618	-	11,619
Parks & Recreation	296	-	296
Liquor Law Enforcement	-	536	536
Elections	1,282	-	1,282
Legal & Accounting	1,500	-	1,500
Building Inspector	2,115	-	2,115
Zoning Fund	1,342	-	1,342
Public Works	657	-	657
Ambulance Fund	-	8,069	8,069
Roads and Streets	-	66,080	66,080
Cemetery	1,211	-	1,211
Fire Protection	3,674	31,578	35,252
TOTAL EXPENDITURES	85,781	106,263	192,044
EXCESS OF REVENUES OVER EXPENDITURES	2,648	13,025	15,673
FUND BALANCE, BEGINNING OF YEAR	71,291	107,761	179,052
FUND BALANCE, END OF YEAR	\$ 73,939	\$ 120,786	\$ 194,725

The accompanying notes to financial statements are an integral part of this statement.

ARVON TOWNSHIP
COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES -BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2006

	General			Special Revenue		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:						
Taxes	\$ 26,342	\$ 26,396	\$ 54	\$ 114,152	\$ 114,691	\$ 539
Federal	4,824	4,824	-	-	-	-
State	32,554	32,554	-	550	3,436	2,886
Charges for services	20,527	20,864	337	-	-	-
Interest	1,430	1,554	124	1,000	1,136	136
Other	2,216	2,237	21	25	25	-
TOTAL REVENUES	87,893	88,429	536	115,727	119,288	3,561
EXPENDITURES:						
Assessor	15,138	15,138	-	-	-	-
Supervisor	4,500	4,500	-	-	-	-
Clerk	5,095	5,095	-	-	-	-
Treasurer	8,477	8,477	-	-	-	-
Board of Review	1,206	1,245	(39)	-	-	-
Township Board	27,631	27,631	-	-	-	-
Township Property	11,718	11,618	100	-	-	-
Parks & Recreation	296	296	-	-	-	-
Liquor Law Enforcement	-	-	-	536	536	-
Elections	1,282	1,282	-	-	-	-
Legal & Accounting	1,500	1,500	-	-	-	-
Building Inspector	2,115	2,115	-	-	-	-
Zoning Fund	1,342	1,342	-	-	-	-
Public Works	657	657	-	-	-	-
Ambulance Fund	-	-	-	7,958	8,069	(111)
Roads and Streets	-	-	-	65,952	66,080	(128)
Cemetery	1,211	1,211	-	-	-	-
Fire Protection	3,674	3,674	-	31,757	31,578	179
TOTAL EXPENDITURES	85,842	85,781	61	106,203	106,263	(60)
EXCESS OF REVENUES OVER EXPENDITURES	\$ 2,051	2,648	\$ 597	9,524	13,025	\$ 3,501
FUND BALANCE, BEGINNING OF YEAR		71,291			107,761	
FUND BALANCE, END OF YEAR		\$ 73,939			\$ 120,786	

The accompanying notes to financial statements are an integral part of this statement.

ARVON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Arvon Township is located in Baraga County, Michigan, and encompasses an area of 47.5 square miles. The Township operates under an elected Board of Trustees of five (5) members and provides services to a population of approximately 482 Township residents.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting policies of Arvon Township conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

THE FINANCIAL REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of Arvon Township contain all of the Township's funds. There are no other governmental units within the Township that are controlled by or dependent upon the Township's Board of Trustees. Control by or dependence on the Township was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three generic fund types and two broad fund categories as follows:

GOVERNMENTAL FUND TYPES

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The Road Improvement, Fire Protection, Ambulance, and Liquor Law Enforcement are special revenue type funds.

ARVON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUND TYPE

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Non-expendable Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Non-expendable Trust Funds are reported in the financial statements as a Fiduciary Fund Type.

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charge for services, sales, fees, fines, rentals, and others are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt which is generally recognized when due.

The Trust and Agency Fund is accounted for on the basis of cash receipts and cash disbursements.

BUDGETARY DATA

The Township follows these procedures in establishing the budgetary data:

- a. Each February, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following April 1, and submits this proposed budget to the Township Board of Trustees at the regular March meeting.
- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- c. Pursuant to the statute, the proposed budget as approved by the Board of Trustees, is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at the next board meeting.

ARVON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriation's lapse at the end of the fiscal year.

ENCUMBRANCES

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

PROPERTY TAXES

Property taxes are levied on assessed values of property located in the Township and become an enforceable lien on the property. Assessed values are established annually (the first Monday in March) and equalized by the State. Township property taxes are levied on December 1, and are payable without a penalty through the following February 28. Property taxes are recognized as revenue in the year for which levied, in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes).

The Township collects its own property taxes, and also collects property taxes for the County, School District, and the Public Library within its jurisdiction. Collections and remittances of all property taxes are accounted for in the Trust and Agency Fund.

The 2005 taxable valuation of Arvon Township amounted to \$28,656,001 on which ad valorem taxes of \$25,807 were levied for Township operating purposes (1.0 mills), \$42,842 for Township fire protection (1.5 mills), \$55,829 for Township road improvement (1.9482), and \$10,643 for Township ambulance (.3716). These amounts are recorded as revenue on the Township's records for the fiscal year ending March 31, 2006.

TOTAL COLUMNS ON COMBINED BALANCE SHEETS - ALL FUNDS

The total columns on the combined statements of this report are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation which requires that inter-fund eliminations be made in the aggregation of this data.

CASH AND INVESTMENTS

For the purpose of the statement of cash flows, cash is defined as checking, money market, certificates of deposits, and savings accounts. Investments consist of the Perpetual Care Trust and are stated at cost, plus accrued interest.

ARVON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; United States Government or Federal Agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local governments in Michigan. Financial institutions eligible for deposits of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of township funds. The Township Board in accordance with Public Act 196 of 1997 adopted an investment policy.

CASH DEPOSITS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and investments	<u>\$ 180,700</u>	<u>\$ 36,519</u>	<u>\$ 217,219</u>

Governmental Accounting Standards Board (GASB) Statement No. 3, requires reporting risk disclosures. At March 31, 2006, the book value of the Township's demand deposits, consisting primarily of certificates of deposit and other cash equivalents, was \$217,219 with a corresponding bank balance of \$273,201. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank balance, approximately \$136,560 representing approximately 50% of the Township's deposits, was covered by Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the \$136,560 was insured and \$136,641 was neither insured nor collateralized.

ARVON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE C - BUDGET OVER EXPENDITURES

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

During the year ended March 31, 2006, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variances</u>
General Fund - Board of Review	\$1,206	\$1,245	(\$39)
Ambulance Fund	\$7,958	\$8,069	(\$111)
Roads and Streets Fund	\$65,952	\$66,080	(\$128)

NOTE D - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL FINANCIAL INFORMATION

ARVON TOWNSHIP
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
Year Ended March 31, 2006

	<u>2006</u>
REVENUES:	
TAXES:	
Property tax	\$ 26,396
FEDERAL:	
Payments in lieu of tax (PILT)	4,824
STATE:	
State shared revenues	32,554
CHARGES FOR SERVICES:	
Charges for services	17,154
Administration and collection fees	3,710
Total charges for services	20,864
INTEREST	1,554
OTHER:	
Other revenues	813
Land division	525
Miscellaneous	724
Rents and royalties	175
Total other	2,237
TOTAL REVENUES	88,429
EXPENDITURES:	
ASSESSOR:	
Salaries	12,675
Supplies	1,580
Dues and memberships	462
Travel expenses	421
Total assessor	15,138
SUPERVISOR:	
Salaries	4,500
CLERK:	
Salaries	4,550
Supplies	545
Dues and memberships	-
Total clerk	5,095

ARVON TOWNSHIP
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - CONTINUED
Year Ended March 31, 2006

	<u>2006</u>
TREASURER:	
Salaries	6,500
Supplies	1,775
Dues and memberships	71
Travel expenses	131
Total treasurer	<u>8,477</u>
BOARD OF REVIEW:	
Salaries	780
Dues and memberships	75
Printing and publishing	290
Travel expenses	61
Miscellaneous	39
Total board of review	<u>1,245</u>
TOWNSHIP BOARD:	
Salaries	1,300
Employee benefits	2,811
Supplies	7,487
Dues and memberships	952
Printing and publishing	28
Insurance	13,878
Miscellaneous	1,175
Total township board	<u>27,631</u>
TOWNSHIP PROPERTY:	
Salaries	4,500
Supplies	665
Utilities	6,141
Repairs and maintenance	312
Total township property	<u>11,618</u>
PARKS & RECREATION:	
Utilities	84
Repairs and maintenance	112
Contract labor	100
Total parks & recreation	<u>296</u>
ELECTIONS:	
Salaries	874
Supplies	20
Printing and publishing	351
Contract labor	37
Total elections	<u>1,282</u>

ARVON TOWNSHIP
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - CONTINUED
Year Ended March 31, 2006

	2006
LEGAL & ACCOUNTING:	
Contract labor	1,500
BUILDING INSPECTOR:	
Dues and memberships	140
Contract labor	1,975
Total building inspector	2,115
ZONING FUND:	
Salaries	200
Supplies	97
Contract labor	1,045
Total zoning fund	1,342
PUBLIC WORKS:	
Contract labor	657
CEMETERY:	
Salaries	861
Supplies	-
Repairs and maintenance	57
Contract labor	293
Total cemetery	1,211
FIRE PROTECTION:	
Supplies	1,011
Utilities	2,575
Repairs and maintenance	88
Total fire protection	3,674
TOTAL EXPENDITURES	85,781
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,648
FUND BALANCE, BEGINNING OF YEAR	71,291
FUND BALANCE, END OF YEAR	\$ 73,939

ARVON TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
March 31, 2006

	Road Improvement	Fire Protection	Ambulance	Liquor Law Enforcement	Total (Memorandum Only)
ASSETS:					
Cash	\$ -	\$ 101,851	\$ 13,300	\$ 325	\$ 115,476
Taxes receivable	5,675	4,228	1,082	-	10,985
TOTAL ASSETS	\$ 5,675	\$ 106,079	\$ 14,382	\$ 325	\$ 126,461
LIABILITIES:					
Accounts payable	\$ 5,675	\$ -	\$ -	\$ -	\$ 5,675
TOTAL LIABILITIES	5,675	-	-	-	5,675
FUND EQUITY:					
Fund balance	-	106,079	14,382	325	120,786
TOTAL LIABILITIES AND FUND EQUITY	\$ 5,675	\$ 106,079	\$ 14,382	\$ 325	\$ 126,461

ARVON TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended March 31, 2006

	Road Improvement	Fire Protection	Ambulance	Liquor Law Enforcement	Total (Memorandum Only)
REVENUES:					
Taxes	\$ 58,861	\$ 44,608	\$ 11,222	\$ -	\$ 114,691
State	2,886	-	-	550	3,436
Interest	-	1,136	-	-	1,136
Other	-	25	-	-	25
TOTAL REVENUES	61,747	45,769	11,222	550	119,288
EXPENDITURES					
Salaries	-	-	-	498	498
Payroll taxes	-	-	-	38	38
Supplies	-	572	111	-	683
Utilities	-	2,472	162	-	2,634
Dues and memberships	-	-	25	-	25
Contract labor	66,080	-	7,712	-	73,792
Miscellaneous	-	-	59	-	59
Capital outlay	-	28,534	-	-	28,534
TOTAL EXPENDITURES	66,080	31,578	8,069	536	106,263
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,333)	14,191	3,153	14	13,025
FUND BALANCE, BEGINNING OF YEAR	4,333	91,888	11,229	311	107,761
FUND BALANCE, END OF YEAR	\$ -	\$ 106,079	\$ 14,382	\$ 325	\$ 120,786

ARVON TOWNSHIP
TRUST AND AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2006

TAX COLLECTION FUND

	<u>Balance 3/31/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/06</u>
ASSETS:				
Cash	<u>\$ 0</u>	<u>\$2,050,584</u>	<u>\$ 2,014,065</u>	<u>\$ 36,519</u>
TOTAL ASSETS	<u><u>\$ 0</u></u>	<u><u>\$2,050,584</u></u>	<u><u>\$ 2,014,065</u></u>	<u><u>\$ 36,519</u></u>
LIABILITIES:				
Due to other funds	<u>\$ 0</u>	<u>\$ 149,973</u>	<u>\$ 149,973</u>	<u>\$ 0</u>
Due to other governmental units	<u>0</u>	<u>925,017</u>	<u>961,536</u>	<u>36,519</u>
TOTAL LIABILITIES	<u><u>\$ 0</u></u>	<u><u>\$1,074,990</u></u>	<u><u>\$ 1,111,509</u></u>	<u><u>\$ 36,519</u></u>



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LETTER OF COMMENTS AND RECOMMENDATIONS

Honorable Supervisor and Board of Trustees
Arvon Township
Skaneec, Michigan

We have audited the general purpose financial statements of Arvon Township, for the year ended March 31, 2006, and have issued our report thereon dated July 21, 2006. As part of our audit, we made a study and evaluation of the Township's internal control structure only to the extent we considered necessary as required by auditing standards generally accepted in the United States of America.

Under generally accepted auditing standards, the purpose of an evaluation of the internal control structure is to establish a basis for reliance on the system in determining the nature, timing and extent of other auditing procedures and to assist in planning and performing the audit. Our audit would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

The following suggestions are submitted to assist in improving procedures and controls.

Budget Over Expenditures

Comparing actual to budgeted expenditures shows that over expenditures have occurred. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Over expenditures occurred in various funds:

<u>Fund</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variances</u>
General Fund - Board of Review	\$1,206	\$1,245	(\$39)
Ambulance Fund	\$7,958	\$8,069	(\$111)
Roads and Streets Fund	\$65,952	\$66,080	(\$128)

We recommend that timely revisions be made to the budget appropriations so that these over expenditures do not occur in the future.

Insured Deposits

We noted that approximately fifty percent (50%) of the Township's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We recommend that deposits be extended to various financial institutions to decrease the risk of loss to the Township.

General Fixed Assets and GASB 34 (2nd year of repeat)

A General Fixed Assets group of accounts should be established for the Township. This would include an inventory of all Township properties owned, segregated by land, buildings, and equipment, priced at cost or an appraised value where actual costs are difficult or impossible to determine.

Although the Local Audit and Finance Division of the Michigan Department of Treasury has allowed a reporting exception to the implementation of Governmental Accounting Standards Board Statement No. 34 (GASB 34) for various Michigan local cities and municipalities, we recommend the Township adopt the major changes from GASB 34 to comply with GAAP. This requires the Township to issue government-wide financial statements based on full accrual accounting. This change will also require the Township to place a value on all capital assets, calculate depreciation, record offsetting long-term debt, and report information regarding the net value of assets on the government-wide financial statements.

We would like to thank the staff for the excellent cooperation we received during the audit. We appreciate the opportunity to present the above suggestions and are prepared to discuss them at your convenience.

Bruce A. Rukkala, CPA, PC

Certified Public Accountants

July 21, 2006